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FISCAL IMPACT STATEMENT

LS 7029

BILL NUMBER: HB 1180

NOTE PREPARED: Jan 4, 2007

BILL AMENDED:

SUBJECT: Excludes inventory from property tax assessment.

FIRST AUTHOR: Rep. Leonard

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill converts the 100% property tax deduction for inventory to an exemption by excluding inventory from the definition of personal property subject to the property tax. The bill deletes references to inventory as taxable personal property and it repeals property tax credits and exemptions applicable to inventory. The bill also makes related changes.

Effective Date: January 1, 2007 (retroactive).

Explanation of State Expenditures: Under current law, business inventory is subject to assessment. Beginning with taxes payable in 2007, inventory owners will receive a 100% deduction against the assessed value of their inventory. So, the net AV of inventory in all counties will be zero for all years beginning with 2006 pay 2007.

This bill would change the definition of personal property to exclude inventory. It would also repeal all inventory deductions and exemptions. There would be no change in the tax base as a result of this proposal.

This bill would reduce the reporting requirements of business taxpayers and would reduce administrative burdens for township and county assessors, county auditors, and the state Department of Local Government Finance (DLGF).

The DLGF must prescribe new assessment forms each year. It also must set the assessed value of agricultural inventory. The state would realize some savings of resources that are devoted to these functions.

Explanation of State Revenues:

Explanation of Local Expenditures: Counties must print property tax returns and furnish them to county taxpayers upon request. Printing costs could be slightly reduced if inventory assessments are removed from the forms.

Townships and counties would realize some savings of resources that are devoted to handling property tax returns, especially in cases where inventory-only returns are currently being filed. For the 2002 payable 2003 tax year, there were approximately 170,000 property tax returns filed statewide with reported inventory.

Explanation of Local Revenues:

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County and township assessors; County Auditors.

Information Sources: County personal property assessment report, Form 15.

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